

FY2022/3 H1 Results Presentation Q&A October 29, 2021

Q1: What are the intended goals and effects of your domestic snack price/content revisions?

The goal is to improve profitability. Another factor is that harvests of potatoes grown in Hokkaido have been below expectations, so we have no choice but to control production. This revision applies to approximately 80% of our *Potato Chips* and 70% of *Jagarico*. These are the product categories made from raw potatoes.

As for the effects, these revisions will be implemented in late January of next year, so we do not expect to see much of an effect during the current fiscal year. The price revision rate of 7-10% is based on estimated in-store prices, and this number is a little smaller when based on prices at shipment.

The effect next year will depend on sales volumes, so we would like to provide that explanation once those numbers become clearer.

Q2: Do you expect demand for snacks to change after the price increase?

Other food companies are also announcing price increases, and we believe that snacks can still be perceived as affordable at the new higher prices. Sales volumes might decrease in the short run, but since there is little chance of a sudden dip in demand, we expect sales volumes to return to normal after about a year.

Q3: What impact do you think rising raw materials costs will have on performance this year and next?

This year, higher costs for cooking oil will have a negative impact of one billion yen against our plan. Some of this will be recovered through the price/content revisions, but not enough. Therefore, the rest of the impact will be absorbed by reductions of selling expenses and other cost reductions, and we will aim for 28 billion yen in operating profit for the year. As for the impact on next year, the prices of raw materials are fluctuating, so I cannot comment at this time.

Q4: Will the effects from reductions of selling expenses also be seen in the second half of this year?

Selling opportunities decrease as there are less raw material potatoes harvested, so we can expect to see higher profits due to reductions of selling expenses in the second half.

Q5: When will you implement price revisions overseas? And about how will the revision be?

Large manufacturers have already begun raising prices, and we have also initiated these negotiations. Prices will increase for some products and customers starting in the third quarter, but for many customers prices will be revised in the fourth quarter. We are negotiating to set prices that absorb our cost increases.

Q6: Why did you choose now to make changes to your shareholder return policy?

Since going public, we have produced shareholder returns by increasing our dividend. However, our standstill provision with PepsiCo, Inc. for shareholding ratio expired in 2019, giving us the option to execute share buybacks. We will execute share buybacks in a flexible manner while maintaining a stable dividend in order to utilize capital efficiently and boost our declining ROE.

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